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STATUTORY INSTRUMENTS

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**2000 No. 2710**

**INCOME TAX**

**The Friendly Societies (Modification of the Corporation Tax Acts) (Amendment) Regulations 2000**

<i>Made</i>	- - - -	<i>3rd October 2000</i>
<i>Laid before the House of Commons</i>	- - - -	<i>4th October 2000</i>
<i>Coming into force</i>	- -	<i>25th October 2000</i>

The Treasury, in exercise of the powers conferred upon them by section 463(1) and (4) of the Income and Corporation Taxes Act 1988(1), hereby make the following Regulations:

**Citation and commencement**

1. These Regulations may be cited as the Friendly Societies (Modification of the Corporation Tax Acts) (Amendment) Regulations 2000 and shall come into force on 25th October 2000.

**Amendments to the Friendly Societies (Modification of the Corporation Tax Acts) Regulations 1997**

2. Amend the Friendly Societies (Modification of the Corporation Tax Acts) Regulations 1997(2) in accordance with the following provisions of these Regulations.

3. After regulation 4 insert the following regulation—

**“Modification of section 43F of the Taxes Act**

**4A.**—(1) Paragraph (2) prescribes a modification of section 43F(1) of the Taxes Act(3) so far as it applies to the life or endowment business carried on by friendly societies.

(2) For the words from “required” to the end substitute “made up for the purposes of an investigation into the financial condition of a friendly society under section 46 or 47 of the Friendly Societies Act 1992(4).”.

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(1) 1988 c. 1; section 463 was amended by section 50 of the Finance Act 1990 (c. 29), paragraph 10 of Schedule 9 to the Finance (No. 2) Act 1992 (c. 48) and section 171(5) of the Finance Act 1996 (c. 8).  
(2) S.I. 1997/473, amended by S.I. 1997/2877, 1998/1871 and 1999/2636.  
(3) Section 43F was inserted by section 110(1) of the Finance Act 2000 (c. 17).  
(4) 1992 c. 40.

(3) This regulation shall have effect in relation to transactions entered into on or after 21st March 2000.”.

4.—(1) In regulation 13(2), in the substituted subsection (6) of section 432A of the Income and Corporation Taxes Act 1988~~(5)~~—

- (a) in paragraph (a) of that subsection insert “(but not below nil)” after “reduced” and insert “net” before “values”;
- (b) for paragraph (b) of that subsection substitute—
  - “(b) the denominator is the aggregate of—
    - (i) the numerator given by paragraph (a) above; and
    - (ii) the numerators given by that paragraph in relation to the other categories of business.”.

(2) This regulation shall have effect in relation to accounting periods beginning on or after 1st January 2000 and ending on or after 21st March 2000.

5. After regulation 30A~~(6)~~ insert the following regulation—

**“Modification of section 587B of the Taxes Act**

**30AA.**—(1) Paragraph (2) prescribes a modification of section 587B of the Taxes Act~~(7)~~ so far as it applies to the life or endowment business carried on by friendly societies.

(2) In subsection (8)(b)(ii) before “basic life assurance” insert “taxable”.

(3) This regulation shall have effect in relation to disposals made by friendly societies on or after 1st April 2000.”.

6. After regulation 30B~~(8)~~ insert the following regulations—

**“Modifications of section 804B of the Taxes Act**

**30C.**—(1) Paragraphs (2) to (4) prescribe modifications of section 804B of the Taxes Act~~(9)~~ so far as it applies to the life or endowment business carried on by friendly societies.

(2) in subsection (4)—

- (a) in paragraph (a) before “basic” insert “taxable”;
- (b) for paragraph (b) substitute—
  - “(b) taxable class IV business.”.

(3) In subsection (5)—

- (a) in paragraph (a) before “basic” insert “taxable”;
- (b) for paragraph (b) substitute—
  - “(b) tax exempt basic life assurance and general annuity business; nor
  - (c) taxable class IV business; nor
  - (d) tax exempt class IV business.”.

(4) In subsection (9) for the words from “other than” to “credit in respect of” substitute

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(5) Section 432A was inserted by paragraph 4 of Schedule 6 to the Finance Act 1990 and subsection (6) was amended by paragraph 13(3) of Schedule 8 to the Finance Act 1995 (c. 4) and section 109(3) and (4) of the Finance Act 2000.

(6) Inserted by S.I. 1998/1871, regulation 25(5) (and renumbered “30A” by S.I. 1998/3174, regulation 13).

(7) Section 587B was inserted by section 43(1) of the Finance Act 2000.

(8) Inserted by S.I. 1999/2636, regulation 4.

(9) Section 804B was inserted by paragraph 17(1) of Schedule 30 to the Finance Act 2000.

“other than—

- (a) taxable basic life assurance and general annuity business, or
  - (b) tax exempt basic life assurance and general annuity business, or
  - (c) taxable class IV business, or
  - (d) tax exempt class IV business,
- credit in respect of”.

(5) This regulation shall have effect in relation to accounting periods beginning on or after 1st April 2000.

#### **Modifications of section 804D of the Taxes Act**

**30D.**—(1) Paragraphs (2) to (4) prescribe modifications of section 804D of the Taxes Act<sup>(10)</sup> so far as it applies to the life or endowment business carried on by non-directive societies.

(2) In subsection (2) for the words from “by which” to then end substitute “by which—

- (a) so much of the total of the amounts shown, in the society’s accounts for that period, in respect of Item 1 of Part I of Schedule 7 to the Friendly Societies (Accounts and Related Provisions) Regulations 1994<sup>(11)</sup> as is referable to that category of business exceeds—
- (b) so much of any commissions payable, and any expenses of management incurred, in connection with the acquisition of the business, as shown in those accounts in respect of Item 2(f) and (g) of Part I of that Schedule, as is referable to that category of business.”.

(3) In subsection (4) for the words from “claims incurred” to the end substitute “total income of that category determined under subsection (2) above.”.

(4) Omit subsection (5).

(5) This regulation shall have effect in relation to periods of account beginning on or after 1st April 2000.”.

3rd October 2000

*Jim Dowd*  
*Bob Ainsworth*  
Two of the Lords Commissioners of Her  
Majesty’s Treasury

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<sup>(10)</sup> Section 804D was inserted by paragraph 18(1) of Schedule 30 to the Finance Act 2000.

<sup>(11)</sup> S.I. 1994/1983.

**Status:** This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

Section 463(1) of the Income and Corporation Taxes Act 1988 (“the Taxes Act”) provides that the Corporation Tax Acts shall apply to the life or endowment business carried on by friendly societies in the same way as they apply to mutual life assurance business or other long term business carried on by insurance companies, subject to such modifications and exceptions as may be prescribed by regulations made by the Treasury. The Friendly Societies (Modification of the Corporation Tax Acts) Regulations 1997 (“the principal Regulations”) make provision for such modifications and exceptions. These Regulations amend the principal Regulations with retrospective effect in the light of provisions of the Finance Act 2000 (c. 17) that amend or insert provisions in the Taxes Act.

Regulation 1 provides for citation and commencement.

Regulation 2 introduces the remainder of the Regulations.

Regulation 3 inserts regulation 4A in the principal Regulations which modifies section 43F of the Taxes Act (rent factoring — insurance business) in relation to transactions of friendly societies entered into on or after 21st March 2000.

Regulation 4 amends regulation 13 of the principal Regulations (modifications of section 432A of the Taxes Act — apportionment of income and gains where an insurance company carries on more than one category of business) in relation to accounting periods of friendly societies beginning on or after 1st January 2000 and ending on or after 21st March 2000.

Regulation 5 inserts regulation 30AA in the principal Regulations which modifies section 587B of the Taxes Act (gifts of shares and securities by companies to charities) in relation to disposals made by friendly societies on or after 1st April 2000.

Regulation 6 inserts regulations 30C and 30D in the principal Regulations which modify sections 804B and 804D of the Taxes Act (allocation of foreign tax credit to different categories of insurance business) in relation to accounting periods or periods of account of friendly societies beginning on or after 1st April 2000.

Authority for the retrospective effect of these Regulations is given by section 463(4) of the Taxes Act.